

**PART III
FOOTNOTES**

When footnotes are either required in the instructions or necessary for clarification, they are prepared, and submitted via Internet along with Parts I and II of the report. Footnotes are required whenever agencies' criterion is inconsistent with Treasury's definition of data requirements. Footnotes are required to explain agency exceptions to the TROR data requirements. Footnotes should be entered in the designated area and referenced to the appropriate line item.

GLOSSARY

Administrative Offset	Withholding money payable by the Government to, or held by the Government for, a person or entity to satisfy a debt that the person or entity owes the Government.
Administrative Receivable	Any receivable other than a direct loan or a defaulted guaranteed loan, such as, but not limited to: fines, penalties, sales of goods and services, overpayments of salaries and benefits, and travel advances.
Administrative Wage Garnishment	A process whereby a Federal agency issues a wage garnishment order to a delinquent debtor's non-Federal employer. No court order is required. The employer withholds amounts from the employee's wages in compliance with the order and pays those amounts to the Federal creditor agency to which the employee owes a debt.
Agency Counsel	An entity established within a government organization to handle its legal matters.
Appeal	An administrative process of seeking review by a higher authority of a decision made by a lower authority.
Bankruptcy	A process established under Federal law whereby a debtor may seek relief from the claims of creditors.
Close Out	An event that occurs concurrently with, or subsequent to, an agency decision to write-off a debt for which the agency has determined that future additional collection attempts would be futile. At close-out, an agency may be required to report to the IRS the amount of the closed out debt as potential income to the debtor on IRS Form 1099-C, in accordance with IRS requirements. No additional collection action may be taken by the agency after issuing the IRS Form 1099-C.
Commercial	A business activity, regardless of whether that activity has been undertaken by an individual or business (for example, a loan to a farmer to purchase additional land for farming; a loan for multi-family housing; a loan made to a university

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or college for housing; a fine against a business or an organization; or assessment against a business/corporation).

Consumer

A **personal** activity (for example, a loan made to an individual to purchase a residence; a loan made to an individual to attend an educational institution; a travel advance; or assessment against an individual).

Cross-Servicing

Collections of debt by an organization on behalf of another agency in accordance with 31 U.S.C. 3711 (g).

Currently Not Collectible

If an agency determines that cost effective collection efforts should continue after write-off, then the debt should be classified as Currently Not Collectible (CNC). Debt collection activities, such as referral to FMS for collection action for cross-servicing or TOP, should continue. If the debt is written-off and classified as CNC, the debt may be reclassified as closed-out in the future, when all collection activities pertaining to the debt cease.

Debt Collection

The recovery of delinquent amounts due after routine follow-up fails. This activity includes the assessment of the debtor's ability to pay, the exploration of a possible alternative arrangement to increase the debtor's ability to pay, and other efforts to secure payment.

Defaulted Guaranteed Loan

A receivable created when the Government acquires a guaranteed loan in satisfaction of a default or other claim.

Delinquent

The failure of the debtor to pay an obligation by the date specified in the agency's initial written notification or applicable contractual agreement, unless other satisfactory payment arrangements have been made by that date. Delinquency would also occur if, at anytime thereafter, the debtor fails to satisfy the obligations under the payment arrangement with the creditor agency.

If the debtor fails to pay the debt by the specified date, the debt is delinquent and the "date of delinquency" is the day given as the payment due date for contractual agreements or the day notification of the debt was mailed, as appropriate.

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If any part of a debt has been delinquent more than 180 days, agencies should report the entire amount of the debt as delinquent if the debtor has been notified that the entire amount is due (or accelerated).

Direct Loan

A receivable created when the Government disburses funds and contracts with the debtor for repayment, with or without interest.

Forbearance

The act of surrendering the right to enforce a valid claim usually in return for a binding promise to perform a specified act. Forbearance sometimes refers to an agreement by a lender to refrain from taking legal action when a mortgage is in arrears, as long as the borrower complies with a satisfactory arrangement to pay off the past due balance by a future date.

Foreclosure

An involuntary payment of a debt secured by collateral by seizing the collateralized property.

Gross Book Value

The gross amount at which the receivable asset appears on the books of account. The gross book value is the amount appearing in a receivable account prior to applying the applicable valuation allowances for doubtful accounts.

Interest

The charge assessed as a cost of extending credit as distinguished from late payment interest charged on a delinquent debt. Interest costs for extending credit would only accrue on current receivables (that is, those receivables due within the next year).

Late Charges

The amounts accrued and assessed on a delinquent debt. Late charges include the following:

Administrative costs: costs incurred in processing and handling a delinquent debt. Costs should be based on actual costs incurred or cost analyses which estimate the average of actual additional costs incurred for particular types of debt at similar stages of delinquency. Administrative costs should

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be accrued and assessed from the date of delinquency.

Penalties: a punitive charge assessed for delinquent debts. The rate to be assessed is set by law at no more than 6% per year and is assessed on the portion of a debt remaining delinquent more than 90 days, although the charge will accrue and be assessed from the date of delinquency. Penalties should be assessed unless otherwise provided in legislation or a contractual agreement.

Late payment interest: the charge assessed on delinquent debts based on the time value of money owed and not paid when due. As established by the Debt Collection Act of 1982, the minimum annual rate to be assessed is the Department of the Treasury's Current Value of Funds Rate. A higher rate may be used if judged by the agency as necessary to protect the Government's interests. Late payment interest is accrued and assessed from the date of delinquency, and should be assessed unless otherwise provided in legislation or a contractual agreement. Additionally, late payment interest may be waived by the agency at any time (must then be written off) or it may accrue indefinitely.

Litigation	A legal action or process taken in a court of competent jurisdiction for full or partial debt recovery.
Net Present Value	Current worth of dollars of an investment's future cash flow.
Present Value	The value now of a future sum or sums discounted, assuming compound interest.
Principal	The amount owed by the debtor to the Government, excluding interest, penalties, administrative costs, fees, and prepaid charges.
Private Collection Agency	A private sector entity whose primary business is the

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collection of delinquent debts.

Receivable

An amount owed the Government by an individual, organization, public entity (for example, state and local governments) or other entity to satisfy a debt or claim. Examples of receivables generated by Government activities include, but are not limited to, amounts due for taxes, loans, sales of goods and services, fees, fines, penalties, forfeitures, interest, and overpayments of salaries and benefits. If an individual/entity has been billed, and the debt is under appeal, the debt is considered a receivable.

Rescheduled

Modifying terms and conditions to facilitate repayment of a debt, which includes establishing new terms as a result of changes in authorizing legislation. An example is Congressional action allowing farmers to have an additional five years to pay off their loans. Rescheduling is also called restructuring, refinancing, and reamortizing. Rescheduled receivables are not considered delinquent unless the debtor fails to pay under the rescheduled terms.

Wage Garnishment

The process of withholding amounts up to 15% of an employee's disposable pay and the paying of those amounts to a creditor.

Write-Off

An event that occurs when an agency official determines, after all appropriate collection tools and techniques have been used, that a debt or a portion of a debt is uncollectible. The uncollectible amount is removed from an entity's receivables; however, collection attempts can be made after receivables are removed. Department of Justice concurrence is required for write-offs or compromises of debts greater than \$100,000. If a debt is compromised, the amount no longer due should be reported as written off.